

The background of the slide features a large, light blue watermark of the City of Vancouver's coat of arms. The crest is a shield divided into four quadrants. The top-left quadrant shows a city skyline with a diagonal beam of light. The top-right quadrant depicts a stag's head with antlers. The bottom-left quadrant shows a three-masted sailing ship on wavy water. The bottom-right quadrant features a grizzly bear standing on a rocky outcrop. Above the shield is a crown with four maple leaves. A banner at the bottom contains the motto 'A NE FOR A' in a stylized font.

# **Agenda Item 3**

## **Minute**

Draft

**FALKIRK COUNCIL**

**Minute of Joint Meeting of the Pensions Committee and Board held in the Municipal Buildings, Falkirk on Thursday 21 March 2019 at 9.30 a.m.**

**Present:**

Committee:-

Councillors Falkirk Council:-

Jim Blackwood

Provost William Buchanan

Niall Coleman

Adanna McCue (Convener)

Board:-

Susan Crook, Unison

Sandy Harrower, UCATT

**Attending:**

Justyna Korszen-Bennett, Senior Accountant

Alastair McGirr, Pensions Manager

Brian Pirie, Democratic Services Manager

Bryan Smail, Chief Finance Officer

**Also in Attendance:**

Rob Jones, Ernst and Young

**PE44. Apologies**

Apologies were intimated on behalf of Councillors Balsillie, Patrick and Reid; Andy Douglas, Unison; Simon Hunt, Scottish Autism; Ed Morrison, SCRA; and Jennifer Welsh, SEPA.

**PE45. Declarations of Interest**

No declarations were made.

**PE46. Minute**

**Decision**

**The minute of the joint meeting of the Committee and Board held on 6 December 2019 was approved.**

#### **PE47. Audit Plan for Falkirk Council Pension Fund**

The Committee and Board considered a report by the Director of Corporate and Housing Services providing details of the 2018/19 External Audit Pension Fund Audit Plan.

The External Auditor's Audit Plan for 2018/19 was presented. The key milestones for the plan were:

17/6/2019	Latest date for Public Inspection Notice
27/6/2019	Consideration of Unaudited Accounts by Committee
30/6/2019	Latest date for submission of Unaudited Accounts
26/9/2019	Consideration of Audited Accounts by Committee
30/9/2019	Latest date for submission of Audited Financial Statements
30/9/2019	Latest date for issue of ISA 260 and Annual Audit Report

The fee for 2018/19 was £24,360, an increase from 2017/18 of £4,360 which reflected the range of work to be carried out and to align the fee with those reviewed on other similar sized funds.

The previous plan in 2017/18 had made two recommendations. These were:-

- Steps should be taken to improve the timeliness and quality of employer data returns at year end.
- Business Continuity and Conflicts of Interest documentation should be completed.

Both recommendations had been implemented.

#### **Decision**

**The Committee and Board noted the issuing of the Annual Audit Plan by Ernst and Young (EY) in line with the requirements for the audit of the 2018/19 Pension Fund annual report and accounts.**

#### **PE48. Pension Fund Risk Register**

The Committee and Board considered a report by the Director of Corporate and Housing Services providing an update on the risk register.

The Committee had agreed an updated risk register on 6 December 2018 (ref PE37). Senior Fund officers meet twice yearly to consider revisions to

the register. The latest review had been on 19 February. Two further risks had been added to the register. These were:-

#### Brexit

- the risk that Brexit has an adverse impact on asset values (e.g. through a weakening of the UK economy)

#### Climate change and Sustainability

- the risk that fund asset values are adversely impacted by climate change and a failure to promote sustainability

An updated risk register was presented for approval.

### **Decision**

**The Committee approved the updated risk register.**

### **PE49. Statement of Investment Principles**

The Committee and Board considered a report by the Director of Corporate and Housing Services seeking approval of the revised Statement of Investment Principles (SIP).

The fund was required to maintain and publish a statement of Investment Principles (SIP) which set out the beliefs and principles it intends to adopt in investing fund money. A SIP had been adopted in August 2017 (ref PE8). A revised SIP had been developed following a review and a workshop session for the Committees and Boards of the Falkirk, Fife and Lothian Funds. The revised SIP included the following changes:-

1. the incorporation of high level principles/beliefs which emerged from the November workshop;
2. an updated section showing the Fund's target asset allocation across the newly agreed policy groups (Equities, Other Real Assets, Non Gilt Debt, Gifts and Cash) and the permitted ranges for each group (see SIP Appendix A);
3. a statement recording how the Fund will comply with the UK Stewardship Code (see SIP Appendix C); and, overall,
4. a simplification of content and format to improve readability.

The SIP provides the Framework within which the Fund sets its investment strategy. The Funding and Investment objectives were to

- achieve a funding level of 100% over 20 years
- achieve an annual return of gilts plus 2.8%

## **Decision**

**The Committee approved the revised Statement of Investment Principles.**

### **PE50. General Governance Matters**

The Committee and Board considered a report by the Director of Corporate and Housing Services providing an update on miscellaneous matters associated with the business of Falkirk Council Pension Fund, including:-

- proposed scheme changes
- McCloud judgement
- longevity
- Scheme National Fraud Initiative
- Small Admitted Bodies Initiative
- Corporate Governance issues
- Class Action
- Voting
- Annual Conference

The report set out the background to Climate Action 100+, an investor initiative to encourage the largest corporate greenhouse gas emitters to take action on climate change. The Fund had been invited to join the initiative and to adopt a sign on statement. This was appended to the report for consideration.

## **Decision**

**The Committee and Board noted the report.**

**The Committee agreed to join the Climate Action 100+ initiative.**

### **PE51. Exclusion of Public**

**Agreed in terms of section 50A(4) of the Local Government (Scotland) Act 1973, to exclude the press and public from the meeting for the following items of business on the ground that they would involve the likely disclosure of exempt information as defined in Paragraph 9 of Part 1 of Schedule 7A to the said Act.**

### **PE52. Pension Fund Budget 2019/20**

The Committee and Board considered a report by the Director of Corporate and Housing Services presenting details of the proposed fund budget for 2019/20.

The proposed budget was £7.9m, an increase of £279k on the 2018/19 budget. The report summarised the key costs in regard to:-

- oversight and governance
- business administration
- investment management

#### **Decision**

**The Committee and Board noted the Pension Fund budget for 2019/20, and**

**The Committee approved the Pension Fund budget for 2019/20.**

### **PE53. Market Review and Fund Manager Performance**

The Committee and Board considered a report by the Director of Corporate and Housing Services providing an update on recent investment market developments; the Fund's strategic allocation and performance; and on the monitoring activity of the Fund's investment mandates during the most recently completed quarter.

#### **Decision**

**The Committee and Board noted:-**

- (1) recent investment market developments;**
- (2) the Fund's strategic allocation;**
- (3) the Fund's performance for the period ending 31 December 2018, and**
- (4) the investment monitoring activity of the Joint Investment Strategy Panel (JISP).**

### **PE54. Commentary on Fund Manager Performance**

The Committee and Board considered a report by the Director of Corporate and Housing Services providing further details on individual manager mandates, including current developments and issues identified through the wider monitoring process to the period 31 December 2018.

#### **Decision**

**The Committee and Board noted the report.**

## **PE55. Joint Investment Strategy Panel Update**

The Committee and Board considered a report by the Director of Corporate and Housing Services summarising key points arising from the meeting of the Joint Investment Strategy Panel held on 11 March.

The key points included:-

- Future agenda planning and content
- Falkirk's investment strategy and areas for further consideration between the Chief Finance Officer, Pensions Manager and JISP advisers
- Joint procurement of third party services
- Potential for Currency Hedging and / or Stock Lending
- Cost benchmarking exercises
- Review of internally managed portfolios
- Review of externally managed portfolios
- Membership of the JISP
- Scheduling of additional JISP meetings to consider the asset classes best suited to the Fund's policy group asset allocations

### **Decision**

**The Committee and Board noted the report.**